

AR21

Sears



J. L. L.
Simpsons·Sears Limited Annual Report 1975



Directors

Crowdus Baker
 Jack C. Barrow
 Thomas J. Bell
 G. Allan Burton
 James W. Button
 John F. Gallagher
 Charles L. Gundy
 Jack F. Kincannon
 Gordon M. Metcalf
 Douglas J. Peacher
 Charles B. Stewart
 James M. Tory
 William P. Wilder
 Arthur M. Wood

Officers

Jack C. Barrow
 Douglas J. Peacher
 Alex Campbell
 Norman S. Cuthbert
 H. Alexander King
 Joseph R. O'Kell
 Morgan Reid
 C. Richard Sharpe
 Frederick R. Southmayd
 C. Lester Bishop
 J. J. Michael Eagan
 Larry E. Ginther

Chairman of the Board and Chief Executive Officer
 President and Chairman of Finance Committee
 Vice-President, Operating
 Vice-President, Public Relations
 Vice-President, Personnel
 Vice-President and Secretary
 Vice-President, Planning and Development
 Vice-President, Merchandising
 Vice-President, Finance
 Treasurer
 Assistant Secretary
 Assistant Treasurer

Sears

Simpsons-Sears Limited

Head Office,
222 Jarvis Street, Toronto,
Canada M5B 2B8

Transfer Agent and Registrar

The Royal Trust Company,
Toronto, Ontario;
Montreal, P. Q.;
Calgary, Alberta

● **Catalogue Centres**

Halifax, Nova Scotia
Toronto, Ontario
Regina, Saskatchewan
Vancouver, British Columbia

646 Catalogue Sales Offices

● **56 Retail Stores**

Barrie, Ontario
Belleville, Ontario
Brantford, Ontario
Burlington, Ontario
Burnaby, British Columbia
Calgary, Alberta
Chinook-Centre
North Hill
Chicoutimi, Quebec
Chilliwack, British Columbia
Dundas, Ontario
Edmonton, Alberta
Bonnie Doon
Meadowlark
Park Plaza
Fredericton, New Brunswick
Guelph, Ontario
Hamilton, Ontario
Hull, Quebec
Kamloops, British Columbia
Kelowna, British Columbia
Kingston, Ontario
Kitchener, Ontario
Lethbridge, Alberta
Levis, Quebec
Mississauga, Ontario
Montreal, Quebec
Mail Champlain
Place Vertu
Moncton, New Brunswick
Moose Jaw, Saskatchewan
Nanaimo, British Columbia
Newmarket, Ontario
North Vancouver, British Columbia
Oshawa, Ontario
Ottawa, Ontario
Carlingwood
St. Laurent
Peterborough, Ontario
Prince Albert, Saskatchewan
Quebec City, Quebec
Fleur de Lys
Place Laurier
Richmond, British Columbia
Richmond Hill, Ontario
Saint John, New Brunswick
Sarnia, Ontario
Saskatoon, Saskatchewan
Sault Ste. Marie, Ontario
Sherbrooke, Quebec
St. Catharines, Ontario
St. John's, Newfoundland
Sudbury, Ontario
Surrey, British Columbia
Thunder Bay, Ontario
Toronto, Ontario
Trois-Rivières, Quebec
Victoria, British Columbia
Windsor, Ontario
Winnipeg, Manitoba
Garden City
Polo Park

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Catalogue
Sales Offices

11
Catalogue
Sales Offices

3
Catalogue
Sales Offices

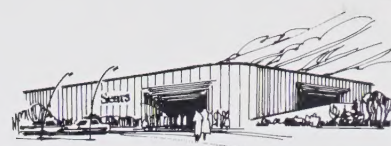
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Catalogue
Sales Offices

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Catalogue
Sales Offices

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Simpsons-Sears Limited and subsidiary companies



North Vancouver • British Columbia

Financial Highlights

| | 1975 52 Weeks | 1974 53 Weeks |
|--|-------------------------|-------------------------|
| Net sales | \$1,548,600,000 | \$1,341,128,000 |
| Net earnings | 32,118,000 | 34,454,000 |
| *Per share | .47 | .51 |
| Dividends declared | 17,159,000 | 14,914,000 |
| Per share | .24 | .22 |
| Shareholders' equity | 345,066,000 | 269,476,000 |
| Per share | 4.60 | 3.97 |
| Municipal realty and business taxes | 13,352,000 | 11,220,000 |
| Federal and provincial income taxes | 28,993,000 | 34,620,000 |
| Depreciation | 23,795,000 | 18,583,000 |
| Contributions to Simpsons-Sears Profit Sharing Retirement Fund and Canada and Quebec Pension Plans | 6,491,000 | 7,409,000 |
| Expenditures for fixed assets | 69,664,000 | 70,270,000 |

*Based on weighted average of shares outstanding during the year.

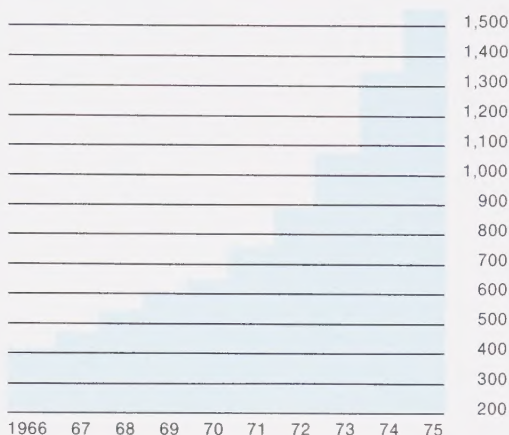


Montreal • Quebec

Sales

millions of dollars

Consolidated net sales of \$1,548,600,000 in 1975 showed an increase of 15.5% over 1974. The compounded average increase for the ten-year period 1966 to 1975 was 16.0% per year.

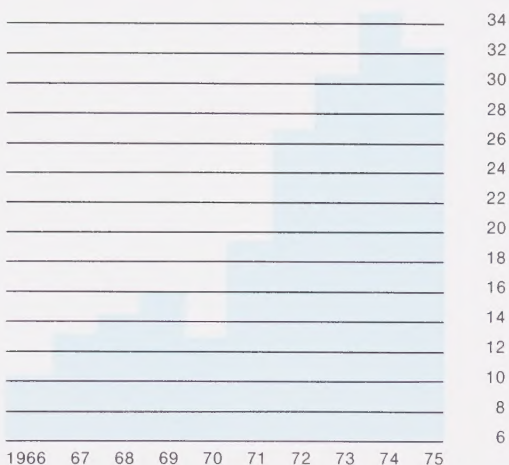


Earnings

millions of dollars

Consolidated net earnings, after taxes, which amounted to \$32,118,000 in 1975 showed a decrease of 6.8% from 1974. The compounded average increase for the ten years 1966 to 1975 was 13.8% per year.

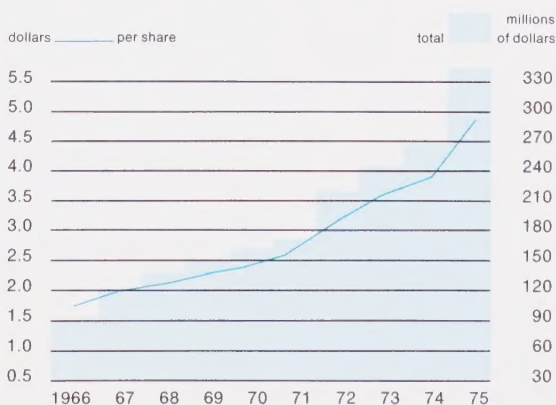
Earnings per share, based on the weighted average of shares outstanding during the year, were 47¢ in 1975 compared with 51¢ in 1974 and 16¢ in 1965.



Shareholders' Equity

Total shareholders' equity increased from \$89,929,000 at the end of 1965 to \$345,066,000 at the end of 1975 and shows a compounded average annual growth of 14.4% over the ten-year period. Equity per share which was equivalent to \$1.66 at the end of 1965 increased to \$4.60 at the end of 1975.

Years 1974 and 1968 include 53 weeks



Report to Shareholders

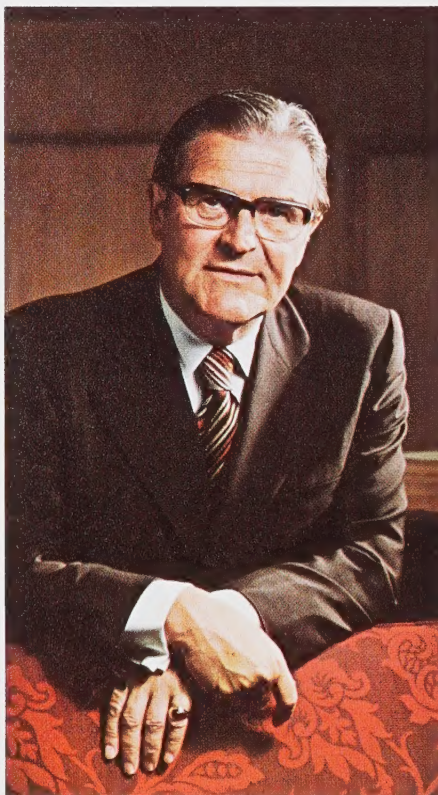
Net sales for the fiscal year 1975 (52 weeks) were \$1,548,600,000 compared with \$1,341,128,000 in 1974 (53 weeks), which amounted to an increase of 15.5% over 1974.

Net earnings for the year 1975 were \$32,118,000 and 47¢ per share based on the weighted average number of shares outstanding during the year. In the previous year earnings were \$34,454,000 and 51¢ per share on the same basis. As stated in our interim reporting throughout the year, operating results in 1975, particularly in the first half, were affected by losses related to inventory liquidation and

by the unprecedented escalation in operating expenses due to strong inflationary forces in 1974 from which the full impact was not felt until 1975.

Quarterly dividends of 6¢ per share were declared during 1975 for a total of 24¢ for the year compared with 22¢ per share during fiscal 1974.

The Company contribution to Simpsons-Sears Profit Sharing Retirement Fund, based on profits in 1975, amounted to \$2,804,000. This was in addition to \$3,687,000 paid by the Company to the Canada and Quebec Pension Plans for the year. Comparable figures for the



Jack C. Barrow,
Chairman of the Board



Douglas J. Peacher,
President

previous year were \$4,437,000 to Simpsons-Sears Profit Sharing Retirement Fund and \$2,972,000 to Canada and Quebec Pension Plans.

Your Directors have approved significant changes in our retirement income program and the opportunity for employees to share in Company profits. The changes are effective in January 1976. The objectives of the changes are twofold:

- (1) To guarantee retirement security to all of our employees through the establishment of the "Guaranteed Retirement Income Plan".
- (2) To enable our employees to share in profits by purchasing shares in the Company through a separate "Plan for Sharing Profits with Employees".

The need for changes was evidenced by the steady increase in contributions required from the Company in recent years to the Canada and Quebec Pension Plans, which were integrated with the Company Retirement and Profit Sharing arrangements. It was decided that in order for Profit Sharing to reflect meaningful benefits both to employees and to the Company, it should be separated from the Company Retirement program and the government plans.

The "Guaranteed Retirement Income Plan" which has now been established continues to be integrated with the Canada and Quebec Pension Plans as well as embracing the former Simpsons-Sears Profit Sharing Retirement Fund which was the chief component of the Company Retirement program up to December 31, 1975. The new Plan has some significant improvements in retirement benefits including more flexibility on early retirement and tax deductibility of employee contributions.

A new "Plan for Sharing Profits with Employees" has been introduced which is entirely separate from the new Retirement Plan and from the Canada and Quebec Pension Plans. We believe that this will prove a worthwhile incentive for employees to benefit by participation in growth in Company profit and will also contribute substantially to that growth.

In June of 1975, approximately \$70 million was added to the working capital of the Company by the issue of \$35 million 10% Debentures Series C to mature June 15, 1982 and \$35 million 11¼% Debentures Series D to mature June 15, 1995. In addition, on October 28, 1975 the Company issued stock rights to all shareholders of Class A, Class B and Class C shares to purchase one additional share of the Class held for each ten rights received. In spite of serious difficulties encountered due to the interruption of mail service at that time, 99.2% of the rights of all Classes and 95.7% of the Class A shares were exercised for the purchase of new shares. This added approximately \$57.5 million to the capital funds of the Company.

The expansion program for the year included the opening of five new Retail Stores as well as the completion of several important units of our merchandising support facilities. The total number of Retail Stores at the end of the year was fifty-six. The major unit of the support facilities was the new complex in Montreal which, when fully occupied, will house the Company's

fashion buying and distribution facilities as well as a general merchandise distribution centre to support selling units in that region.

In September, Mr. Larry E. Ginther was appointed Assistant Treasurer of the Company.

The year 1975 was a year that put considerable burden on our employees due to difficult operating circumstances related to the inflationary forces and the general state of the economy. We appreciate their efforts and devotion to duty and extend our sincere thanks to them.

To our customers, we say that it has been a pleasure to serve you and we hope that we are doing so to your satisfaction. Your loyalty and support are our major asset and we will continue to try to earn it.


Chairman


President

March 29, 1976



Simpsons-Sears...for fami

At Simpsons-Sears we listen to what our customers say. Our success is due to our ability to meet their desires with a wide range of merchandise in every category—family fashions, bicycles, lawn mowers, quality cameras, building supplies, home furnishings, imaginative lighting—we specialize in them all.

We gear our entire catalogue and retail organization to our customers needs . . . and we back it all up with our dependable guarantee: Satisfaction or money refunded.



es with a lot of living to do!

Simpsons-Sears slogan 'everyday good value, every day of the year', is accepted with respect because our merchants, researchers and laboratory technicians put all their efforts into giving our customers the best possible quality at the lowest possible price.

And because our customers know that they will find the merchandise they want at affordable prices, Simpsons-Sears has gained the reputation of being 'the value-place for all the family'.

Simpsons-Sears Limited and subsidiary companies

Consolidated Statements of Earnings and Retained Earnings

| | Fiscal Year Ended | |
|--|-----------------------------|-----------------------------|
| | January 7, 1976 52 Weeks | January 8, 1975 53 Weeks |
| Consolidated Earnings | | |
| Net sales, including service charges on instalment sales . . . | \$1,548,600,000 | \$1,341,128,000 |
| Rentals and other income | 2,882,000 | 2,210,000 |
| | 1,551,482,000 | 1,343,338,000 |
| Deduct: | | |
| Cost of merchandise sold and selling, operating and administrative expenses | 1,403,831,000 | 1,200,175,000 |
| Depreciation | 23,795,000 | 18,583,000 |
| Interest on long term debt (including amortization of discount and expense) | 32,769,000 | 24,299,000 |
| Other interest | 12,850,000 | 14,897,000 |
| Municipal realty and business taxes | 13,352,000 | 11,220,000 |
| Contribution to Simpsons-Sears Profit Sharing Retirement Fund | 2,804,000 | 4,437,000 |
| Contributions to Canada and Quebec Pension Plans | 3,687,000 | 2,972,000 |
| | 1,493,088,000 | 1,276,583,000 |
| Earnings from operations before income taxes | 58,394,000 | 66,755,000 |
| Income taxes: | | |
| Current | 24,629,000 | 27,996,000 |
| Deferred | 4,364,000 | 6,624,000 |
| | 28,993,000 | 34,620,000 |
| Earnings from operations | 29,401,000 | 32,135,000 |
| Equity in earnings of associated companies | 2,717,000 | 2,319,000 |
| Net earnings for the fiscal year | \$ 32,118,000 | \$ 34,454,000 |
| Net earnings per share | \$.47 | \$.51 |

| | Fiscal Year Ended | |
|--|-----------------------------|-----------------------------|
| | January 7, 1976 52 Weeks | January 8, 1975 53 Weeks |
| Consolidated Retained Earnings | | |
| Balance at beginning of year | \$ 147,752,000 | \$ 128,212,000 |
| Net earnings for the fiscal year | 32,118,000 | 34,454,000 |
| | 179,870,000 | 162,666,000 |
| Dividends declared (1975—24¢ per share, 1974—22¢ per share) | 17,159,000 | 14,914,000 |
| Balance at end of year | \$ 162,711,000 | \$ 147,752,000 |



Montreal • Quebec

Simpsons-Sears Limited and subsidiary companies

Consolidated Statement of Changes in Financial Position

Sources of Working Capital

| | Fiscal Year Ended | |
|--|-----------------------------|-----------------------------|
| | January 7, 1976 52 Weeks | January 8, 1975 53 Weeks |
| Net earnings for the year | \$ 32,118,000 | \$ 34,454,000 |
| Non-cash charges deducted in arriving at net earnings, principally depreciation and deferred income taxes | 25,118,000 | 22,378,000 |
| Equity in earnings of associated companies less dividends received of \$287,000 (1974—\$250,000) | (2,430,000) | (2,069,000) |
| Working capital from operations | 54,806,000 | 54,763,000 |
| Proceeds from issue of long term debt | 71,250,000 | 105,972,000 |
| Receipts on sales of capital stock | 60,498,000 | 2,591,000 |
| Disposal of fixed assets | 1,586,000 | 2,022,000 |
| | <u>188,140,000</u> | <u>165,348,000</u> |

Applications of Working Capital

| | | |
|--|----------------------|----------------------|
| Expenditures for fixed assets | 69,664,000 | 70,270,000 |
| Retirement of long term debt | 11,809,000 | 19,120,000 |
| Increase in investments and advances | 1,721,000 | 3,399,000 |
| Dividends declared | 17,159,000 | 14,914,000 |
| | <u>100,353,000</u> | <u>107,703,000</u> |
| Resulting in an increase in working capital of | \$ 87,787,000 | \$ 57,645,000 |
| Working capital at end of year | <u>\$431,586,000</u> | <u>\$343,799,000</u> |

Consolidated Balance Sheet

Assets

| | January 7, 1976 | January 8, 1975 |
|--|------------------------|----------------------|
| Current Assets | | |
| Cash | \$ 6,178,000 | \$ 5,903,000 |
| Accounts receivable (Note 2) | 396,842,000 | 353,458,000 |
| Inventories | 279,503,000 | 268,738,000 |
| Prepaid advertising and other charges | 32,930,000 | 27,145,000 |
| | <u>715,453,000</u> | <u>655,244,000</u> |
| Investments and Other Assets | | |
| Investments and advances (Note 3) | 27,463,000 | 23,312,000 |
| Notes receivable on sales of Class A shares of Simpsons-Sears Limited under the Employees' Stock Purchase Plan | 4,512,000 | 4,379,000 |
| | <u>31,975,000</u> | <u>27,691,000</u> |
| Fixed Assets, at cost | | |
| Land | 20,801,000 | 19,463,000 |
| Buildings and improvements | 233,494,000 | 200,015,000 |
| Equipment and fixtures | 129,600,000 | 107,335,000 |
| | <u>383,895,000</u> | <u>326,813,000</u> |
| Less accumulated depreciation | 85,506,000 | 72,707,000 |
| | <u>298,389,000</u> | <u>254,106,000</u> |
| Unamortized Bond and Debenture Discount and Expense | 4,780,000 | 4,042,000 |
| | <u>\$1,050,597,000</u> | <u>\$941,083,000</u> |



Chilliwack • British Columbia

Liabilities

Current Liabilities

| | January 7, 1976 | January 8, 1975 |
|--|--------------------|--------------------|
| Bank advances and short term notes (Note 4) | \$ 91,591,000 | \$156,048,000 |
| Accounts payable | 106,455,000 | 65,149,000 |
| Accrued wages, rent, interest, etc. | 47,058,000 | 40,206,000 |
| Income and other taxes | 24,932,000 | 24,445,000 |
| Contribution payable to Simpsons-Sears Profit Sharing Retirement Fund | 2,804,000 | 4,437,000 |
| Principal payments on long term debt due within one year (Note 5) | 6,528,000 | 17,429,000 |
| Dividend payable March 15, 1976 | 4,499,000 | 3,731,000 |
| | <u>283,867,000</u> | <u>311,445,000</u> |
| Long Term Debt (Note 5) | <u>402,573,000</u> | <u>342,423,000</u> |
| Deferred Income Taxes | <u>19,091,000</u> | <u>17,739,000</u> |
| | <u>705,531,000</u> | <u>671,607,000</u> |

Shareholders' Equity

Capital Stock (Note 6)

Authorized shares of no par value—

16,000,000 Class A shares

32,000,000 Class B shares

32,000,000 Class C shares

Issued—

13,329,002 Class A shares (January 8, 1975—11,824,532) .. 53,411,000 40,398,000

30,811,000 Class B shares (January 8, 1975—28,010,000) .. 64,472,000 40,663,000

30,811,000 Class C shares (January 8, 1975—28,010,000) .. 64,472,000 40,663,000

182,355,000 121,724,000

Retained Earnings

162,711,000 147,752,000

345,066,000 269,476,000

\$1,050,597,000 \$941,083,000

Notes to Consolidated Financial Statements

1. SUMMARY OF ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include the accounts of Simpsons-Sears Limited and all subsidiaries. Net assets and net earnings attributable to minority interests are not significant and are not separately reported in the consolidated financial statements.

Inventories:

Inventories are valued at the lower of approximate cost and realizable value. Cost is determined for catalogue order inventories on a first-in, first-out or average cost basis applied by individual items, for retail store inventories on a first-in, first-out basis applied by the retail inventory method, and for supplies and miscellaneous inventories on a first-in, first-out or average cost basis applied by individual items.

Investments:

Investments in associated companies are carried at cost plus the equity in undistributed earnings since dates of acquisition. All other investments are carried at cost.

Depreciation, Amortization, Repairs and Maintenance:

Depreciation and amortization provisions are generally computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets. The depreciation rates range from 2% to 2½% for buildings and improvements and from 10% to 25% for equipment and fixtures.

Temporary equipment (short-lived equipment such as wood shelving, stock boxes, display equipment, awnings, shades and certain types of floor coverings) acquired for a retail store on or prior to opening are amortized over a period of five years and, with some exceptions, the costs of other temporary equipment are amortized over a twelve month period.

Expenditures for maintenance and repairs are charged to earnings as incurred and expenditures for major renewals and betterments are capitalized.

The cost and accumulated depreciation in respect of property retired or sold are eliminated from the asset and related depreciation accounts. Profits and losses on such retirements or sales are included in earnings.

Unamortized Bond and Debenture Discount and Expense:

Bond and debenture discount and expense are generally amortized by the reducing balance method or by the straight-line method, as applicable, to the due dates of the respective bonds and debentures.

Income Taxes:

Income taxes are accounted for on the tax allocation basis which relates income taxes to the accounting income for the year.

Profits on Instalment Sales:

Profits on instalment sales, but not the service charges on such sales, are taken into earnings at the time of sale. The service charges are taken into earnings as earned.

Earnings per Share:

The calculation of net earnings per share shown on the consolidated statement of earnings is based on the weighted average number of shares outstanding during the fiscal year. The dilutive effect resulting from the assumed conversion of the 4½% Convertible Debentures is not material.

The Companies Act of British Columbia:

The consolidated financial statements do not purport to comply with certain disclosure requirements unique to the Companies Act of British Columbia.

2. ACCOUNTS RECEIVABLE:

| | January 7, 1976 | January 8, 1975 |
|--|----------------------|----------------------|
| Customer instalment accounts | \$363,504,000 | \$329,406,000 |
| Miscellaneous accounts | 47,001,000 | 36,433,000 |
| | 410,505,000 | 365,839,000 |
| Less allowance for doubtful accounts | 13,663,000 | 12,381,000 |
| | <u>\$396,842,000</u> | <u>\$353,458,000</u> |

In accordance with recognized trade practices, customer instalment accounts include amounts which will not become due within one year.

3. INVESTMENTS AND ADVANCES:

| | | |
|--------------------------------------|----------------------|----------------------|
| Associated companies | \$ 19,038,000 | \$ 16,608,000 |
| Other investments and advances | 8,425,000 | 6,704,000 |
| | <u>\$ 27,463,000</u> | <u>\$ 23,312,000</u> |

The Company's equity in the net assets of the associated companies as shown in their financial statements approximates the carrying value thereof.



Toronto • Ontario

4. BANK ADVANCES AND SHORT TERM NOTES:

Bank advances include demand notes of \$12,000,000 at January 7, 1976 and \$21,451,000 at January 8, 1975 secured by the pledge of Secured Debentures Series A, payable on demand, of Simpsons-Sears Acceptance Company Limited.

5. LONG TERM DEBT:

Simpsons-Sears Limited

First Mortgage Bonds—

| | January 7, 1976 | January 8, 1975 |
|--|--------------------|--------------------|
| 4½% Series B due April 1, 1979 | \$ 1,875,000 | \$ 2,439,000 |
| 5½% Series C due August 15, 1985 | 6,750,000 | 7,500,000 |
| 7¾% Series D due February 15, 1991 | 27,588,000 | 30,000,000 |
| 8¾% Series E due May 1, 1993 | 25,000,000 | 25,000,000 |

Debentures—

| | | |
|---|--------------------|--------------------|
| 10¼% Series A due August 15, 1979 | 15,000,000 | 15,000,000 |
| 11% Series B due August 15, 1994 | 35,000,000 | 35,000,000 |
| 10% Series C due June 15, 1982 | — | — |
| 11¼% Series D due June 15, 1995 | 35,000,000 | — |
| 4½% Convertible Debentures due October 15, 1988 | 11,512,000 | 13,462,000 |
| 10½% Unsecured Notes due May 28, 1979 | 5,000,000 | 5,000,000 |
| | <u>197,725,000</u> | <u>133,401,000</u> |

Simpsons-Sears Acceptance Company Limited Secured Debentures—

| | | |
|---|--------------------|--------------------|
| 6¾% Series B due February 1, 1980 | 20,000,000 | 20,000,000 |
| 5½% Series C due February 1, 1980 (U.S. \$5,000,000) | 4,880,000 | 4,880,000 |
| 5¾% Series D due July 1, 1981 | 15,000,000 | 15,000,000 |
| 5½% Series E due March 1, 1985 | 10,000,000 | 10,000,000 |
| 6¼% Series F due March 1, 1986 | 10,000,000 | 10,000,000 |
| 7% Series G—\$2,800,000 due November 1, 1976 and \$12,200,000 due November 1, 1986 | 12,200,000 | 15,000,000 |
| 7¼% Series H—\$2,600,000 due August 15, 1977 and \$12,400,000 due August 15, 1987 | 15,000,000 | 15,000,000 |
| 8¾% Series I due June 15, 1989 | 8,700,000 | 8,700,000 |
| 9½% Series J due February 1, 1990 | 6,670,000 | 6,670,000 |
| 8¾% Series K due May 15, 1992 | 25,000,000 | 25,000,000 |
| 9¼% Series L due March 15, 1994 | 25,000,000 | 25,000,000 |
| 11½% Series M due November 15, 1994 | 20,210,000 | 18,355,000 |
| 11½% Series N due November 15, 1994 | 7,650,000 | 8,075,000 |
| | <u>180,310,000</u> | <u>181,680,000</u> |

Simpsons-Sears Properties Limited mortgage and bond indebtedness—

| | | |
|--|-----------|------------|
| 4% to 6% payable in monthly instalments of principal and interest and maturing at various dates from 1985 to 1998, including \$7,639,000 (U.S. \$7,117,000) at January 7, 1976 and \$10,111,000 (U.S. \$9,419,000) at January 8, 1975 payable in U.S. funds | 9,716,000 | 12,233,000 |
|--|-----------|------------|

St. Laurent Shopping Centre Limited—

| | | |
|---|----------------------|----------------------|
| 8% First Mortgage Sinking Fund Bonds due June 1, 1993 | 14,693,000 | 14,980,000 |
| 8% Income Notes due July 1, 1993 | 129,000 | 129,000 |
| | <u>14,822,000</u> | <u>15,109,000</u> |
| | <u>\$402,573,000</u> | <u>\$342,423,000</u> |

The First Mortgage Bonds of Simpsons-Sears Limited, the mortgage and bond indebtedness of Simpsons-Sears Properties Limited, and the First Mortgage Sinking Fund Bonds of St. Laurent Shopping Centre Limited are primarily secured by first charges on the fixed assets of those companies. The Debentures of Simpsons-Sears Limited are secured, subject to the security given on its First Mortgage Bonds, by a floating charge on all the assets of the Company. The Secured Debentures of Simpsons-Sears Acceptance Company Limited are secured by an assignment of the customer instalment accounts receivable referred to in Note 2.

The 4½% Convertible Debentures are convertible at the holder's option at any time up to October 15, 1978 into 113 Class A shares per \$1,000 principal amount of debentures.

Principal payments of \$6,528,000 on long term debt due within one year are included in current liabilities. Subsequent to 1976 principal payments required on long term debt for the years shown are as follows: 1977—\$5,217,000; 1978—\$3,554,000; 1979—\$25,759,000; 1980—\$33,238,000.

continued on next page

6. CAPITAL STOCK:

By supplementary letters patent dated October 3, 1975 the authorized capital was increased to 16,000,000 Class A shares, 32,000,000 Class B shares and 32,000,000 Class C shares.

By the exercise of rights issued to shareholders to subscribe for one additional share at the price of \$8.50 for each ten shares held on October 23, 1975, 1,163,470 Class A shares, 2,801,000 Class B shares and 2,801,000 Class C shares were issued on December 1, 1975 for \$57,507,000. In addition, during the fiscal year ended January 7, 1976, \$1,950,000 principal amount of 4½% Convertible Debentures were converted into 220,350 Class A shares, 800 Class A shares were issued on exercise of options held by employees for \$4,000, and 119,850 Class A shares were issued under the Employees' Stock Purchase Plan for \$1,170,000. The shares issued under the Employees' Stock Purchase Plan were issued at market value at time of issue.

All classes of shares rank equally in all respects except that the Class A shares are non-voting and are entitled to a non-cumulative preferential dividend of 2½¢ per share in any year. After payment of a similar dividend to the holders of the Class B and Class C shares all three classes rank equally as to dividends.

7. RETIREMENT AND PROFIT SHARING PLANS:

Effective January 1, 1976 the Company introduced a new contributory Guaranteed Retirement Income Plan to provide improved retirement benefits to employees. A new contributory Plan for Sharing Profits has also been established effective January 8, 1976. Concurrently with the adoption of these new plans, no further contributions will be made to Simpsons-Sears Profit Sharing Retirement Fund.

The unfunded obligation for past service under the Company's new Retirement Plan, estimated by independent actuaries to be approximately \$45,119,000 at January 7, 1976 (\$13,665,000 at January 8, 1975 under the old plan), is to be amortized by annual payments through 1990. A substantial amount of the increase in this obligation is attributable to the adoption of the improved Guaranteed Retirement Income Plan and the restructuring of the previous retirement arrangements.

8. COMMITMENTS:

Minimum fixed rentals, exclusive of property taxes, insurance and other expenses payable directly by the Company, under leases having an initial term of more than one year are as follows:

| | |
|-------------------|-------------------------|
| 1976—\$16,386,000 | 1981-1985—\$48,999,000 |
| 1977—\$15,048,000 | 1986-1990—\$39,634,000 |
| 1978—\$14,208,000 | 1991-1995—\$35,978,000 |
| 1979—\$12,660,000 | 1996 and |
| 1980—\$11,394,000 | thereafter—\$38,501,000 |

Total rentals charged to earnings under all leases for the fiscal year ended January 7, 1976 amounted to \$19,365,000 (1974—\$13,758,000).

9. CAPITAL EXPENDITURES:

Capital expenditures for the fiscal year ending January 5, 1977 are estimated at approximately \$39,000,000.

10. ANTI-INFLATION PROGRAM:

The Company and its subsidiaries are subject to controls on prices, profits, compensation and dividends instituted by the Federal Government in the Anti-Inflation Act effective October 14, 1975. While there are still a number of general uncertainties concerning implementation of the program, it is reasonably clear that the companies are in compliance with the guidelines and regulations for the compliance period to the fiscal year end of January 7, 1976.

11. REMUNERATION OF DIRECTORS AND OFFICERS:

For the fiscal year ended January 7, 1976 six directors received remuneration amounting to \$36,000 (1974—\$34,000); the remaining eight directors received no remuneration as directors. The remuneration of thirteen officers, two of whom are also directors, amounted to \$1,342,000 (1974—\$1,270,000).


Auditors' Report

To the Shareholders of Simpsons-Sears Limited:

We have examined the consolidated balance sheet of Simpsons-Sears Limited and subsidiary companies as at January 7, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 7, 1976 and the results of their operations and the changes in their financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, March 11, 1976


Chartered Accountants

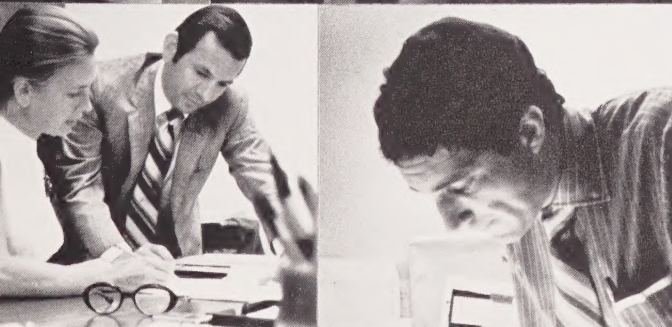
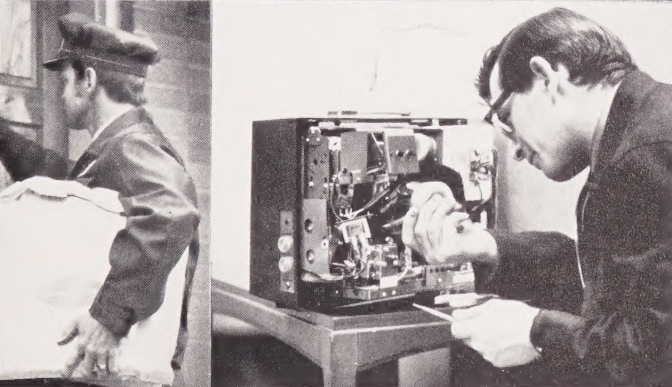


Building a great future together...

A key ingredient of a company's success is its ability to attract and keep good employees. As we continue to grow, opportunities increase for each of our over 40,000 regular and part-time employees to develop their full potential. In fact, during 1975, more than 2,500 employees were promoted to increased managerial responsibilities. By encouraging individual initiative, greater personal satisfaction is achieved, which results in superior service to our customers.

In keeping with our policy of providing the best possible benefits for our employees, we introduced, in 1975, a new Guaranteed Retirement Income Plan and a new Plan for Sharing Profits. These plans, effective January 1976, provide new measures of security and opportunity that will contribute significantly, during working years and retirement, to the financial well-being of our employees and their families.

In general, most of our employees live in the community in which they work. A great many of them form an integral part of the volunteer services of their community, such as Boys' and Girls' clubs, hospital visiting, sports coaching, music and art, community theatre and fund-raising for worthy projects. Simpsons-Sears supports many of these projects and is proud of their employees who have accepted their community responsibilities.



Ten Year Summary

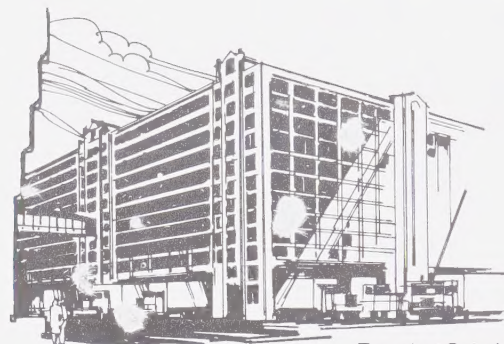
| Results for the year (in thousands) | 1975 | 1974 53 Weeks | 1973 | 1972 | 1971 |
|--|--------------------|-------------------------|-------------|-------------|-------------|
| Net sales | \$1,548,600 | \$1,341,128 | \$1,073,467 | \$894,066 | \$765,778 |
| Depreciation | 23,795 | 18,583 | 14,876 | 12,618 | 11,313 |
| Earnings before income taxes | 61,111 | 69,074 | 58,249 | 50,527 | 39,112 |
| Income taxes | 28,993 | 34,620 | 27,974 | 23,868 | 19,409 |
| Net earnings | 32,118 | 34,454 | 30,275 | 26,659 | 19,703 |
| Dividends declared | 17,159 | 14,914 | 13,516 | 7,991 | 7,562 |
| Expenditures for fixed assets | 69,664 | 70,270 | 35,996 | 34,598 | 29,545 |
| Year-end position (in thousands) | | | | | |
| Inventories | 279,503 | 268,738 | 203,885 | 164,142 | 136,564 |
| Land, buildings and equipment—net | 298,389 | 254,106 | 204,442 | 183,462 | 163,962 |
| Total assets | 1,050,597 | 941,083 | 775,598 | 654,868 | 564,039 |
| Working capital | 431,586 | 343,799 | 286,154 | 274,565 | 228,123 |
| Long term debt | 402,573 | 342,423 | 254,073 | 246,603 | 227,225 |
| Shareholders' equity | 345,066 | 269,476 | 248,043 | 220,379 | 175,101 |
| Per share of capital stock (in dollars) | | | | | |
| Net earnings | .47 | .51 | .45 | .41 | .31 |
| Dividends declared | .24 | .22 | .20 | .12 | .12 |
| Shareholders' equity | 4.60 | 3.97 | 3.67 | 3.31 | 2.78 |

Years 1969 to 1972 inclusive are restated for accounting changes applied retroactively in 1973.
The effect on the results of prior years, not restated, would not be significant.

| 1970 | 1969 | 1968 53 Weeks | 1967 | 1966 |
|-----------|-----------|------------------|-----------|-----------|
| \$646,888 | \$615,011 | \$540,663 | \$470,298 | \$407,759 |
| 7,884 | 6,508 | 5,170 | 5,351 | 4,520 |
| 25,347 | 31,367 | 30,100 | 26,167 | 21,106 |
| 12,637 | 15,530 | 15,680 | 13,375 | 10,950 |
| 12,710 | 15,837 | 14,420 | 12,792 | 10,156 |
| 7,497 | 7,404 | 6,130 | 6,171 | 4,068 |
| 36,380 | 24,257 | 19,121 | 12,018 | 6,941 |
| 114,201 | 120,167 | 104,057 | 78,531 | 72,895 |
| 147,088 | 106,557 | 70,733 | 60,024 | 53,549 |
| 499,528 | 450,150 | 378,773 | 327,622 | 303,545 |
| 202,928 | 194,035 | 182,886 | 167,768 | 137,370 |
| 199,138 | 163,981 | 131,061 | 112,464 | 99,296 |
| 160,531 | 150,537 | 135,937 | 125,466 | 98,956 |
| .21 | .26 | .24 | .22 | .19 |
| .12 | .12 | .10 | .10½ | .07½ |
| 2.56 | 2.44 | 2.22 | 2.06 | 1.80 |



Halifax • Nova Scotia



Toronto • Ontario



Regina • Saskatchewan



Vancouver • British Columbia

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Simpsons·Sears Limited Annual Report 1975